

Standard Deduction and Tax Computation

Tax and Credits	38 Amount from line 37 (adjusted gross income)	38
	39a Check <input type="checkbox"/> You were born before January 2, 1952, <input type="checkbox"/> Blind. Total boxes checked <input type="checkbox"/> 39a	
	if: <input type="checkbox"/> Spouse was born before January 2, 1952, <input type="checkbox"/> Blind.	
	b If your spouse itemizes on a separate return or you were a dual-status alien, check here <input type="checkbox"/> 39b	
Standard Deduction	40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40
	41 Subtract line 40 from line 38	41
<ul style="list-style-type: none"> • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, \$6,300 Married filing jointly or Qualifying widow(er), \$12,600 Head of household, \$9,300 	42 Exemptions. If line 38 is \$155,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions	42
	43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43
	44 Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44
	45 Alternative minimum tax (see instructions). Attach Form 6251	45
	46 Excess advance premium tax credit repayment. Attach Form 8962	46
	47 Add lines 44, 45, and 46	47
	48 Foreign tax credit. Attach Form 1116 if required	48
	49 Credit for child and dependent care expenses. Attach Form 2441	49
	50 Education credits from Form 8863, line 19	50
	51 Retirement savings contributions credit. Attach Form 8880	51
	52 Child tax credit. Attach Schedule 8812, if required	52
	53 Residential energy credits. Attach Form 5695	53
	54 Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54
	55 Add lines 48 through 54. These are your total credits	55

About Standard Deduction and Tax Computation

- TaxSlayer: Basic Information section
- Additional resources listed in L< “References” tab
- Review all tips and cautions
- Read all examples and sample interviews
- We will review answers to each exercise in the lesson

Tax and Credits

Standard Deduction for—

- People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
- All others:
 - Single or Married filing separately, \$6,300
 - Married filing jointly or Qualifying widow(er), \$12,600
 - Head of household, \$9,300

38 Amount from line 37 (adjusted gross income)

39a Check ☐ You were born before January 2, 1952, ☐ Blind. Total boxes checked > 39a ☐

if: ☐ Spouse was born before January 2, 1952, ☐ Blind.

b If your spouse itemizes on a separate return or you were a dual-status alien, check here > 39b ☐

40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)

41 Subtract line 40 from line 38

42 Exemptions. If line 38 is \$155,650 or less, multiply \$4,050 by the number on line 42. Otherwise, see instructions

43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-

44 Tax (see instructions). Check if any from: a ☐ Form(s) 8814 b ☐ Form 4972 c ☐

45 Alternative minimum tax (see instructions). Attach Form 6251

46 Excess advance premium tax credit repayment. Attach Form 8962

47 Add lines 44, 45, and 46

48 Foreign tax credit. Attach Form 1116 if required

49 Credit for child and dependent care expenses. Attach Form 2441

50 Education credits from Form 8863, line 19

51 Retirement savings contributions credit. Attach Form 8880

52 Child tax credit. Attach Schedule 8812, if required

53 Residential energy credits. Attach Form 5695

54 Other credits from Form: a ☐ 3800 b ☐ 8801 c ☐

55 Add lines 48 through 54. These are your total credits

Objectives – Standard Deduction and Tax Computation

- Determine the standard deduction for most taxpayers
- Determine the standard deduction for taxpayers claimed as dependents
- Identify how taxable income and income tax are computed and reported
- Time Required: 20 minutes

Topics



- Deductions
- Age and Blindness
- Taxpayers who can be Claimed as Dependents
- Standard Deduction vs. Itemizing
- Determining Taxable Income and Tax

Key Terms

Definitions are always available in the L< online Glossary.

- Adjusted Gross Income (AGI)
- Exemptions (Personal or Dependency)
- Itemized Deduction
- Married Filing Jointly
- Married Filing Separately
- Standard Deduction

Deductions

- Use interview techniques and other tools to determine if the standard deduction or itemizing will result in the largest possible deduction for the taxpayer
- Pub 4012, Deductions tab
 - [Standard Deduction for Most People](#) chart
 - [Interview Tips](#) for persons not eligible for the Standard Deduction



Exhibit 1 – Standard Deduction for Most People*

This table provides the standard deduction amounts for tax year 2016.

If the taxpayer's filing status is...	Your standard deduction is ...
Single or married filing separate return	\$6,300
Married filing joint return or qualifying widow(er) with dependent child	\$12,600
Head of household	\$9,300

*Don't use this chart if the taxpayer was born before January 2, 1952, or is blind, or if someone else can claim an exemption for the taxpayer (or their spouse if married filing jointly).

Deductions

- Taxpayers who cannot take standard deduction and must itemize:
 - Filing as Married Filing Separately and the spouse itemizes
 - Nonresident or dual-status alien (not married to U.S. citizen at the end of the year)
- Refer to the Standard Deduction Worksheet – Line 40 from either Pub 17 or [Form 1040 Instructions](#)

Form 1040 (2016)

Tax and Credits	38	Amount from line 37 (adjusted gross income)
	39a	Check <input type="checkbox"/> You were
		if: <input type="checkbox"/> Spouse was
	b	If your spouse itemizes on his or her return, check this box
Standard Deduction for—	40	Itemized deductions (from Schedule A)
• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.	41	Subtract line 40 from line 38
• All others:	42	Exemptions. If line 38 is \$
Single or Married filing separately, \$6,300	43	Taxable income. Subtract line 42 from line 41
Married filing jointly or Qualifying widow(er), \$12,600	44	Tax (see instructions). Check the box for the tax you want to pay: <input type="checkbox"/> Regular tax <input type="checkbox"/> Alternative minimum tax
	45	Alternative minimum tax (see instructions)
	46	Excess advance premium tax credit payments (see instructions)
	47	Add lines 44, 45, and 46
	48	Foreign tax credit. Attach Form 1041
	49	Credit for child and dependent care expenses (see instructions)
	50	Education credits from Form 1041
	51	Retirement savings credit (see instructions)
	52	Child tax credit. Attach Form 1041
	53	Residential energy credit (see instructions)

Age and Blindness

- Standard deduction is higher for a taxpayer or spouse 65 or older, or if one or both spouses are blind
- Use Pub 4012, Adjustments tab, [Standard Deduction Chart for People 65 or Older or Who Are Blind Chart](#), as a guide to computing the standard deduction
- Taxpayers can take the higher standard deduction if one spouse is 65 or older, or is blind, and if:
 - Taxpayer files a joint return
 - Taxpayer files a separate return and can claim an exemption for the spouse

Standard Deduction Chart for People Born Before January 2, 1952, or Who are Blind

Check the correct number of boxes below. Then go to the chart.

You:	Born before January 2, 1952	<input type="checkbox"/>	Blind	<input type="checkbox"/>
Your spouse, if claiming spouse's exemption:	Born before January 2, 1952	<input type="checkbox"/>	Blind	<input type="checkbox"/>
Total number of boxes checked		<input type="checkbox"/>		

IF your filing status is...	AND the number in box above is...	THEN your standard deduction is...
Single	1	\$7,850
	2	9,400
Married filing jointly or Qualifying widow(er) with dependent child	1	\$13,850
	2	15,100
	3	16,350
	4	17,600
Married filing separately	1	\$7,550
	2	8,800
	3	10,050
	4	11,300
Head of household	1	\$10,850
	2	12,400

*If someone else can claim you (or your spouse if filing jointly) as a dependent, use standard deduction worksheet for dependents.

Taxpayers Who Can be Claimed as Dependents

- A lower standard deduction is offered for an individual who can be claimed as a dependent on another person's tax return
- Form 13614-C has a check box for a dependent being claimed by another taxpayer
- Use [Form 1040 Instructions](#), Standard Deduction Worksheet – Line 40 to calculate the deduction

Standard Deduction Worksheet for Dependents			
Use this worksheet only if someone else can claim you (or your spouse if filing jointly) as a dependent.			
Check the correct number of boxes below. Then go to the worksheet.			
You:	Born before January 2, 1952	<input type="checkbox"/>	Blind <input type="checkbox"/>
Your spouse, if claiming spouse's exemption:	Born before January 2, 1952	<input type="checkbox"/>	Blind <input type="checkbox"/>
Total number of boxes checked		<input type="checkbox"/>	
1. Enter your earned income (defined below). If none, enter -0-.		1. _____	
2. Additional amount.		2. <u>\$350</u>	
3. Add lines 1 and 2.		3. _____	
4. Minimum standard deduction.		4. <u>\$1,050</u>	
5. Enter the larger of line 3 or line 4.		5. _____	
6. Enter the amount shown below for your filing status. <input type="checkbox"/> Single or Married filing separately—\$6,300 <input type="checkbox"/> Married filing jointly—\$12,600 <input type="checkbox"/> Head of household—\$9,300		6. _____	
7. Standard deduction. a. Enter the smaller of line 5 or line 6. If born after January 1, 1952, and not blind, stop here. This is your standard deduction. Otherwise, go on to line 7b. b. If born before January 2, 1952, or blind, multiply \$1,550 (\$1,250 if married) by the number in the box above. c. Add lines 7a and 7b. This is your standard deduction for 2018		7a. _____ 7b. _____ 7c. _____	
<i>Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income.</i>			

Standard Deduction vs. Itemizing

- Examples of types of expenses that generally warrant itemizing deductions:
 - Large out-of-pocket medical and dental expenses
 - State and local income taxes, sales tax, real estate taxes, and/or personal property taxes
 - Mortgage interest
 - Gifts to charity
 - Certain other miscellaneous deductions

SCHEDULE A
(Form 1040)
Department of the Treasury
Internal Revenue Service (99)
Name(s) shown on Form 1040

Itemized Deductions
► Information about Schedule A and its separate instructions
► Attach to Form 1040.

Medical and Dental Expenses

Caution: Do not include expenses reimbursed or paid by others.

1 Medical and dental expenses (see instructions)

2 Enter amount from Form 1040, line 38 **2**

3 Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead

4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -

Taxes You Paid

5 State and local (check only one box):
a ☐ Income taxes, or
b ☐ General sales taxes

6 Real estate taxes (see instructions)

7 Personal property taxes

8 Other taxes. List type and amount ►

9 Add lines 5 through 8

Interest You Paid

10 Home mortgage interest and points reported to you on Form 1098

11 Home mortgage interest not reported to you on Form 1098. If you paid interest to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ►

Note:
Your mortgage

Determining Taxable Income and Tax

- Taxable income is determined by taking the adjusted gross income (AGI) and subtracting:
 - Personal and dependency exemptions
 - Standard or itemized deductions
- A separate worksheet is used to calculate tax for taxpayers with:
 - Capital gains
 - Qualifying dividends
 - Foreign earned income

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Tax and Credits

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 • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.

Summary

This lesson covered:

- How to identify those who can take the standard deduction and how the deduction is affected by filing status, age, blindness, and status as a dependent
- Tax computation is based on taxable income